



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the Congress, Secretary Rice, Secretary Gates, and the American people the 12th Quarterly Report from the Office of the Special Inspector General for Iraq Reconstruction (SIGIR). This Report coincides with the third anniversary of my appointment as Inspector General on January 20, 2004. I soon will depart on my 15th trip to Iraq, to join the 55 SIGIR auditors, inspectors, and investigators who continue to provide aggressive in-country oversight of the U.S. taxpayers' investment in Iraq's reconstruction.

This Quarterly Report covers the last phase of the Iraq Relief and Reconstruction Fund's (IRRF) implementation. Virtually all of the IRRF's \$21 billion is now under contract, and approximately 80% is spent. The end of the IRRF marks the beginning of a new phase in aid to Iraq, which will entail a broader multilateral component and an increase in the Iraqi government's responsibility for the overall economic recovery effort.

This new phase, however, does not mark the end of oversight. To the contrary, more remains to be done to account for past U.S. investment and to promote the highest and best use of future U.S. funding for Iraq. Recognizing the need for continuing oversight, Congress passed, and the President signed, the Iraq Reconstruction Accountability Act in December 2006. This Act extended SIGIR's jurisdiction to include all FY 2006 appropriations for Iraq reconstruction, including the Iraq Security Forces Fund, the Economic Support Fund, and the Commander's Emergency Response Program. The Act requires SIGIR to conduct a forensic audit to account for the use of the IRRF and effectively extends SIGIR's organizational life through 2008.

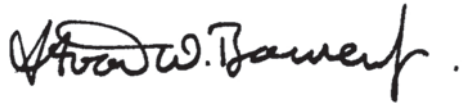
During this quarter, SIGIR auditors completed 8 new audits, bringing the total number of completed audit products to 82. These new audits include a review of U.S. efforts to support the capacity development of Iraq's ministries, an examination of the Department of State's management of funding for Iraqi police training and training support, a report on medical equipment purchased to support the primary healthcare centers, and a statistical summary of security costs for major U.S. contractors in Iraq.

SIGIR inspectors assessed 15 projects this quarter, bringing to 80 the total number of assessments completed. Significantly, 13 of the 15 projects SIGIR visited this quarter complied with contractual requirements. SIGIR also provided a final assessment of the Baghdad Police College, which followed up on last quarter's quick reaction report. The final assessment confirmed that the project suffered a variety of shortfalls, including poor construction quality, significant descoping because of budget overruns, and the delivery of unfinished facilities.

SIGIR investigators continued work this quarter on 78 open investigations, including 23 cases under direct Department of Justice (DoJ) supervision. SIGIR also facilitated the formation of the International Contract Corruption Task Force to coordinate fraud investigations by its several members, including the Federal Bureau of Investigation, the U.S. Army's Criminal Investigation Command, and the Defense Criminal Investigative Service. In addition, SIGIR continued its participation on DoJ's National Procurement Fraud Task Force.

SIGIR remains dedicated to carrying out its charge to ensure effective oversight of the U.S. investment in Iraq's relief and reconstruction. I am proud of the dedicated service of the many SIGIR auditors, inspectors, and investigators who continue to pursue their mission with professionalism, productivity, and perseverance.

Submitted January 30, 2007.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.
Inspector General